

# Maiwand social services Association for Afghanistan (MSSAA)

## ADMIN & FINANCE MANUAL





Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

## Table of Contents

<b>No</b>	<b>DESCRIPTION</b>
<b>0.</b>	<b>FOREWORD</b>
<b>1.</b>	<b>AUTHORIZATION LIMITS</b>
<b>2.</b>	<b>ACCOUNTING POLICIES</b>
<b>3.</b>	<b>ACCOUNTING SYSTEM</b>
<b>4.</b>	<b>TRANSFER OF FUNDS</b>
<b>5.</b>	<b>ADVANCES</b>
<b>6.</b>	<b>BUDGETING AND REPORTING</b>
<b>7.</b>	<b>FOREIGN CURRENCY TRANSACTIONS AND EXCHANGE GAIN AND LOSS</b>
<b>8.</b>	<b>INTERNAL CONTROLS</b>
<b>9.</b>	<b>FIXED ASSETS AND STORE</b>
<b>10.</b>	<b>PURCHASING/PROCUREMENTS</b>
<b>11.</b>	<b>TRANSPORTS AND LOGISTICS</b>
<b>12.</b>	<b>COMPUTERS AND COMMUNICATION</b>
<b>13.</b>	<b>FILING</b>

### ***FOREWORD***



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

This Finance and admin manual is developed with a view to bring harmonisation in the MSSAA activities.

The manual is aimed at regulating internal day to day affairs of MSSAA and is not purported to address legal or other issues outside organization. For issues outside organization, reference to laws and regulations issued by government authorities should be made.

Besides implementation of this manual, any law and regulation applicable to MSSAA must be properly complied with and this is the responsibility of top management to ensure that nothing is being done in violation of government laws and regulations applicable to MSSAA.

This manual shall come into force w.e.f the date when Board of Directors MSSAA approves the manual. Scope of this manual extends to all finance and admin activities. It includes all financial as well as administrative aspects of activities of MSSAA. All the staff members are responsible to make themselves familiar with its contents and for proper implementation of the same. Failure to comply with these regulations will be met with appropriate actions

The manual includes policies and procedures, while different standard formats are put as appendixes.

As the Board of Directors approves this manual, any future changes should also be approved by Board of Directors before incorporating in this manual.

This manual should be reviewed regularly to see if any updates are lagging or if any procedures should be changed.

MSSAA Director



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

**1. AUTHORIZATION LIMITS**

**1.1. Delegation of authority**

Director can delegate all or any of his powers to any person. However such delegation of powers shall be made in writing. Standard letter of delegations is appended in appendix (see appendix 1)

Particular	Board of Directors	Director	D. Admin/Finance Director	Provincial Office Manager
<b>Budget authorization</b>		According to grant letters and boards authorization	If delegated	If delegated
<b>Request purchases</b>		According to approved budget	According to approved budget	If delegated
<b>Expenditure approval</b>				
Up to 500 USD				According to approved budget
Up to 2,000 USD			According to approved budget	
Above 2,000 USD		According to approved budget		
<b>Contracts</b>				
Up to 3 months (one time)			According to approved budget and Boards authorization	
More than one 3 months		According to approved budget and boards authorization		
<b>Advances</b>				
To Regional offices		According to approved budget		



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

Particular	Board of Directors	Director	D. Admin/Finance Director	Provincial Office Manager
To Employees for expenditures				
Up to USD 500			According to approved budget	
Up to USD 2,000		According to approved budget		
Above USD 2,000		According to approved budget and boards authorization		
Advances against salary		According to rules and regulations		
<b>Payroll</b>				
	<u>Budget GM</u>	Budget of Central office	Budget of regional offices	Budget of regional offices
<b>Cheque/transfers</b>				
		According to approved budget	If delegated	If delegated
<b>Signatories</b>				
		Yes	Yes (if delegated)	Yes (if delegated)



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

## **2. ACCOUNTING POLICIES**

The following significant accounting policies are adopted by MSSAA and consistently applied in preparation of financial statements of the organization.

### **2.1. Accrual Basis of Accounting**

Financial statements are prepared using Accrual basis of accounting except grants from donors, which is recognized on cash basis of accounting. Accrual basis of accounting requires that the effect of transactions and other events be recognized when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting record and reported in the financial statements of the period to which they relate.

### **2.2. Financial Roles and Responsibilities**

MSSAA Finance Manager is responsible for all financial activities; preparation of payrolls, reporting (trail balance, balance sheet, general journal, ledger & bank reconciliation, revenue, finance cost, tax expenses, operational expenses)

Finance Manager is responsible for all types of vouchers and expenditures record keeping in registered quick book desktop software along with hard copies in the file.

### **2.3. Annual Budget**

FM develops reporting for finance section, programs and operating units, as required.

Writes reports on highly sensitive and high risk areas.

Plans master budget, central support budget, flexible budget and program budget.

### **2.4. Financial Reporting and Monitoring**

- Reviews quarterly and sometimes monthly
- Prepares a summary of all funding sources, expenditures and reserves available for future use
- Enlists outstanding commitments of programs, individuals and project capitals
- Provides management with the necessary information for making strategic decisions at any time during the year



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

## 2.5. Bank Account Opening:

Each project requires opening a separate bank account. The Finance Manager takes the following steps for opening a new bank account.

1. Presents Valid Business Registration Certificate to the bank.
2. Business Address Proof
3. Introduces three authorized signatories including the director.
4. Residential address proof
5. Memorandum of Association and Articles of Association

## 2.6. Cash Withdrawal Procedure:

Three authorized signatories shall sign each cash withdrawal cheque. Once in a while when one or two of the signatories are not available, the director can alone sign the cheque.

## 2.7. Fixed Assets

All the fixed assets are charged to Income and expenditure account in the year of purchase. Though a separate fixed assets register is maintained to exercise control over fixed assets.

## 2.8. Stocks and Stores

Stocks usually include stationery items. Such items do not have material value, therefore stationery is charged to Income and Expenditure Account when purchased.

## 2.9. Revenue

### 2.9.1. Grants

2.9.1.1. Grant received in cash is recognized on accrual basis of accounting.

2.9.1.2. Grant received in kind are not reflected in financial statements, except fixed assets received as donation. Fixed assets received as



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

donation are recorded as grant in kind using fair market value of fixed assets received on the date of acquisition.

*2.9.2. Interest Income*

Interest earned on banks and is recognized as and when credited to the bank account.

**2.10. Foreign currency transactions**

*2.10.1. Initial recognition*

Foreign currency transactions are recorded initially in reporting currency using the exchange rate prevailing at the date of transaction. For practical reasons, exchange rates on first working day of every month are used for recording foreign currency transactions incurred in the respective month.

*2.10.2. Reporting on subsequent balance sheet dates*

Monetary assets and liabilities denominated in foreign currency are reported in financial statements using closing rate at Balance Sheet date. Examples of monetary assets are cash in hand, cash at bank, advances given to employees, any other loan given or received from other agencies etc.

*2.10.3. Recognition of exchange gain and loss*

Exchange difference arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise.

**3. ACCOUNTING SYSTEM**





Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

## MAIN FEATURES

MSSAA has centralized Accounting system.

### 3.1. Regional offices

MSSAA has established regional offices in different provinces of Afghanistan. Projects are implemented and monitored in regional offices. Donor reporting is the responsibility of central office.

Complete financial record is not maintained in the regions. Instead following books are maintained manually.

#### 3.1.1. Cash Book/Bank Book

Single-column cashbook is maintained in each regional office (see appendix 2). Separate cashbook is maintained for each currency such as Afghanis, US Dollars etc. Similarly, Bank Book is maintained for each bank account, if any, maintained in regional offices (see appendix 3).

Monthly cash summary (see appendix 4) is prepared in each currency. These summaries are sent to central office along with original vouchers and supporting documents.

#### 3.1.2. Store Register

Store register is maintained for controlling use of stationery. Store register include quantitative data of stationery purchased, consumed and stock in hand (see appendix 5).

#### 3.1.3. Advance ledger

Advance ledger includes individual accounts of employees who have taken advances.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

### **3.2. Central office**

Central office maintains complete books of accounts including cashbooks, bankbooks and ledgers for all the regions as well as for central office.

Accounting record of central office includes central office data as well data pertaining to each regional office. Transactions incurred in central office are recorded on daily basis. Transactions incurred in regional offices are recorded on monthly basis after vouchers and summaries have been received from regional offices.

*Following books of accounts are maintained at central office.*

#### *3.2.1. Cash Book/Bank Book*

Single-column cashbook is maintained in each central office (*see appendix 2*). Separate cashbook is maintained for each currency such as Afghanis, US Dollars etc. Similarly, Bank Book is maintained for each bank account (*see appendix 3*).

#### *3.2.2. Store Register*

Store register is maintained for controlling use of stationery. Store register include quantitative data of stationery purchased, consumed and stock in hand. (*see appendix 5*)

#### *3.2.3. General Ledger*

General ledger mainly includes account heads including incomes, expenses. Besides these, General Ledger also includes account for any loan receivable or payable. Expense and income accounts are separately maintained for each donor (*see appendix 6.*)

#### *3.2.4. Advance ledger*

Advance ledger includes individual accounts of employees who have taken advances (*see appendix 6*).

### 3.3. Vouchers

Vouchers are the source documents used for recording financial aspect of transactions in books of accounts. Following types of vouchers are used for data entry.

#### 3.3.1. Cash / Bank Receipt Voucher (*see appendixes 7 and 8*)

Cash receipt voucher is used to record Cash receipt while Bank Receipt voucher is used for recording bank receipts.

#### 3.3.2. Cash / Bank Payment Voucher (*see appendixes 9 and 10*)

Cash payment voucher is used to record Cash payments while Bank payment voucher is used for recording bank payments.

#### 3.3.3. Journal Voucher (*see appendix 11*)

Journal vouchers are used to record transactions not involving Cash or Bank. Journal voucher is also used for recording Cash deposits and withdrawals.

#### *Design of vouchers and Voucher Numbers*

Vouchers have been designed in order to enable the multi-dimensional reporting. Each and every transaction is classified on the basis of all or some of the following criteria before being recorded. Each voucher includes following information.

- Voucher type
- Currency
- Donor
- Project
- Account head
- Amount (original currency)
- Exchange rate

Voucher number is designed in alpha numeric form. There are five parts of voucher number to include following information.

***i) Location***

Particular	Codes
Kabul	KBL
Ningarhar	JAL
Kunar	KUN
Laghman	LAG

***ii) Transaction type***

Transaction types are represented by the following codes respectively.

Voucher type	Transaction type	Code
Bank receipt voucher	for Bank receipts	BR
Cash receipt voucher	for Cash receipts	CR
Bank payment voucher	for bank payments	BP
Cash payments voucher	for cash payments	CP
<u>Journal voucher</u>	<u>for transactions not</u>	<u>JV</u>
<u>involving cash/bank or cash deposits and withdrawals</u>		

***iii) Number***

Last part will include sequential numbers such as 1, 2,3....

Voucher No. "154" is an example to illustrate the above.

One sequence of voucher numbers is used for all types of vouchers. Vouchers are filed in sequence for easy access. This makes easy keeping track of voucher numbers and help in filing the vouchers. New sequence of voucher numbers is started.

***iv) Project Contract Number***

*Project contract number will be shown to*



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

### **3.4. Chart of Accounts**

MSSAA has standard chart of accounts. Chart of Accounts has been established according to the activities and specific reporting needs of MSSAA (*see appendix 12*).

### **3.5. Reporting Currency**

Reporting currency of MSSAA is US Dollars OR as per donor and Afghan government requirement

## **TRANSFER OF FUNDS**

### **3.6. Transfer from Central Office to Regional Offices**

In order to carry out respective projects and programs, Central office transfers funds to regions.

The Program Manager (PM)/Provincial Office Manager (POM), in co-operation with the Finance Manager/Officer, have the responsibility to prepare the program budget and expected time for money transfers, following the budget guidelines (*see Chapter 6 "Budgeting and Reporting"*) This will provide a better overview of the cash needs resulting in efficient cash management.

#### *3.6.1. Request for funds transfer*

Provincial Office Manager/Program Manager (if he/she is in region) or in his/her absence Line officer gives a written request to the Finance Manager/Officer. Request should include information about amount of funds required, Donor, and Project and nature of expense for which fund is required. If this is done over phone, the operator is responsible for putting the request in writing.

Finance Manager/Officer forwards the request to Director. Funds are transferred to regions after Director approves the request specifying the mode of transfer as well. Finance department intimates regional office about the transfer of funds to region and copy is sent to Program manager. Regional office sends back confirmation of funds received to central office finance department.

### *3.6.2. Modes of transfer*

Transfer should be made using following modes.

- Through Bank
- Hawala
- Through MSSAA staff

Funds should be transferred preferably through bank. Other modes should be considered only if bank transfer is not possible. Transfer through MSSAA staff should be the last option as it is risk prone. It is important to note that transportation of large cash sums involves security risk.

#### Hawala

A related topic here is “Hawala”. MSSAA utilizes the service of money exchangers. These money exchangers have a network throughout the region. Money exchanger arranges for the agreed amount of money to be transferred to a particular place. Once the agreed amount of money is received in the concerned region, a confirmation is sent to the central office. In the central office the money exchangers is paid the sum transferred by him plus an agreed commission for the services.

#### Transfer through MSSAA staff

In case any other means of transfer is not available, then funds can be transferred through MSSAA staff. Before sending the money, security situation should be confirmed in order to avoid as far as possible any unwanted event. However this practice should not be done regularly as includes high risk.

Prior approval of Director is must before sending money through MSSAA staff.

## **4. ADVANCES**

Issue of official advances to employees is routine practice. Advances to staff includes for travelling, purchasing or other purposes. There are two broad categories of advances namely:

#### 4.1. Advances for official expenses

The following procedures are used for official advances:

- The employee who requests for advance fills in the Advance Form (see *appendix 13*). One advance form is used for one currency. If one needs advance in more than one currency, then he fills in separate advance forms for each currency required.
- Finance Officer checks if the employee has any outstanding advances. He then mentions any outstanding balance against the employee on the Advance form. Usually an employee is not authorised to receive any advance if he/she has any previous balance outstanding to his/her name. However, in exceptional circumstances the Director, PM or POM may allow him to receive further advance.
- The form is then taken to the person authorised to PM or POM for approval. If the amount of advance requested is beyond the authorisation limit of PM or POM See *Chapter No.1 "Authorisation Limits"*, he/she will forward it to Director for approval.
- After approval, the Finance Assistant/Cashier pays advance and acknowledgement of the payee is obtained on the payment voucher.
- Advance form is attached to the Payment Voucher. The transaction is then recorded in books against employee's name (see *chapter No.3 "Accounting system"*).

#### 4.2. Liquidation of Advance

- After the employee incurs the expenditure, detail of expenditure incurred is mentioned on expenditure summary form (see *appendix 14*), supported by the original bills. Expenditure summary form is got approved See *chapter No.1 "Authorisation Limits"*.
- Besides expenditure is accompanied by Advance Liquidation Form filled by the employee (see *appendix 15*).



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

- The balance unspent is paid to Finance Assistant/Cashier. In case of over expenditure Finance Assistant/Cashier reimburses the over expended amount. Advance is then adjusted in books.
- An official advance can under **no circumstances** be used for personal reasons.
- Advance should be cleared within reasonable time limit.
- Following personnel are authorised to have a permanent petty cash with them due to the nature of their job.

Provincial Manager	USD 1000 (float advance)
Purchasing officer	USD 500 _____
Transport/Logistic officer	USD 500 ____
Drivers	USD 50

*4.2.1. Advance against salaries*

**The general rule is that staff is not allowed to take out advances against salaries.**

Advances may only be given against salaries in exceptional circumstances, with a written approval by the Director. The amount of advance shall not exceed one month's salary, which shall be fully deducted in salary.

The normal procedure should be to deduct a set amount from the employee's salary over a few months.

***Some Additional General Rules***

- Private Advances vs. Official Advance

Advances for official expenses should not have any influence on personal advances (against salaries). A clear distinction should be made between official and personal advances and both advances should be adjusted on separate basis.

- Currencies of advances





Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

Advance can be given in any currency. However advances given in different currencies should be recorded separately in the original currency (not the reporting currency).

- Adjustment of advance against salaries

Advance given to employees against salaries should be adjusted in currency in which advance is given i.e. the original currency. Further, advance shall be given to employees in the currency in which they are drawing salaries.

In case of advances given to employees before implementation of this manual, those shall be adjusted in the currency in which employees are drawing salaries.

- Adjustment of advance for expenses

Advances given for official expenses can be exchanged into another currency. It will be reported to finance clearly stating the amount exchanged, the amount received, and the conversion rate. Support of conversion must be attached.

**Example:**

1. Project Manager takes an advance for USD 2,000 for project expenditure.
2. Project Manager exchanges USD 1,000 to Afs. 50,000 and obtains the receipt for the exchange.
3. When coming to the office to clear his advance, Project Manager has spent USD 900 on fuel and food costs and Afs. 45,000 on site workers incentives.
4. The Advance form in USD should then include Rs. 1,000 exchanged to Afs., and USD 900 on fuel and food costs. He then pays back USD 100 to the Finance Assistant/Cashier.
5. A new Advance form has to be filled in mentioning exchange of USD 1,000 to Afs. 50,000. Then the cost of site workers incentives is reported as Afs. 45,000 and Project Manager pays back Afs. 5,000 to the Finance Assistant/Cashier.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

## **6. BUDGETING AND REPORTING**

### **6.1. Introduction**

Budgeting is the key factor for successful implementation of a project. Budget serves as planning and control tool. As planning tool, budget provides information about expected/planned cost of a project, expected income from the project and fund requirements for the project. As control tool, it helps implement the project in such a way that ensures that targets are achieved and actual results are in line with planned results.

Budget is a financial plan for the whole year. Budget preparation assumes immense importance in that it forms a basis for all the activities and operations of MSSAA. Budget is an estimate based on assumptions about future. Unrealistic assumptions may lead to incorrect estimates and in turn unrealistic budget and will consequently lead to huge budget variances/lapse of the projects in case actual cost of the projects materially exceeds the budget. Thus all the care should be taken to prepare a realistic budget.

Not only does the budget form the basis for one or more year's operations, but it is also the base for our funding applications to the various donors. At the end of a project, the donor will investigate how MSSAA has dispersed the funds and will also compare actual results with approved budget. Small variances may be tolerated without any major problem; however, large variances from the original plans may pose questions about the organisation's operations. As such, it is important that the budget reflects the actual activities planned, and that the expenditures are recorded accurately.

### **6.2. Procedure for making project budgets**

Budget is prepared for an activity, project, department, or whole organization. The most important and basic item in budget preparation is "Cost Unit". Cost item is some identifiable item to which some cost can be allocated. Cost unit may be different in different situation, e.g. while preparing budget for construction of building, cost units includes cement, sand, and iron etc to be used in construction.

Budget preparation process is joint task of program and finance departments. Program department provides estimate of level of activity or in other words estimated number of cost units to be used, estimated cost of cost unit, expected time for the project completion and other program related information. Finance department has



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

an important role in putting financial and non financial information together and giving it a shape of financial forecast.

Following procedures should be used for preparation of the budget.

1. Program manager prepares the budget using following guidelines.
  - a. Market prices of items should be based while preparing a budget. Proper survey should be conducted to collect market prices.
  - b. Level of activity should be estimated based on some realistic assumptions.
  - c. Prices should be adjusted for expected inflation factor; however maximum adjustment should not exceed 10% of original prices.
  - d. If quantity or prices are not known from similar activities, action should be taken to collect information from other agencies
  - e. Support functions should be included as a percentage OR as separate indirect cost lines, depending on donor regulations. If a percentage is not used please make sure all acceptable cost (salary monitoring, communication, audit etc) are included.
  - f. All budgets should be made in Afghani and converted to reporting currency at an exchange rate prevailing at the time of preparing proposal.
2. Donor guidelines are used for formats and standards etc.
3. The Finance manager checks the budget to ensure that budget is prepared according to donor requirements, and format is compatible with information system.
4. The budget should be approved by the Director
5. The budget is sent to the donor for approval.
6. After the grant approval, the budget may require revision if required by approved budget. In such case the relevant line manager revises budget. While revising budget specification of approved budget should be kept in view.

The finance department should have all approved budgets, budgets applications and grant letters in their files. The admin department needs copy of budget related to support functions.

### **6.3. Internal reporting**



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

Finance Manager/Officer prepares quarterly financial reports for presentation to Board of directors. Such reports are forwarded to relevant line managers so that they can give their feedback on budget variance. Line manager are responsible to give written justification of any material variances. Such report is presented in quarterly workshops to be held within three weeks after the end of each quarter. After presentation in quarterly workshop, such reports along with written justification of material variances are submitted to Director for approval. Quarterly financial reports are prepared in standard format (*see appendix 16*).

#### **6.4. External financial reporting**

Donor reports are made according to donor format and within time frame specified in grant letter by donor.

Over all financial statements of MSSAA should be issued within three months of close of financial year.

#### **6.5. External Audit**

External audit of financial statements of MSSAA will be done by a Chartered Accountants' firm.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

## **7. FOREIGN CURRENCY TRANSACTIONS AND EXCHANGE GAIN AND LOSS**

### **INTRODUCTION**

Activities of MSSAA are carried in various parts of Afghanistan. As monetary system in Afghanistan is not yet stable, multiple currencies are being used in business community in different areas. MSSAA also keeps all the currencies required for the purpose of smooth functioning of its activities.

#### **7.1. REPORTING CURRENCY**

The reporting currency of MSSAA is US dollars. ***“Reporting currency”*** means the currency used in presenting the financial statements. Currencies other than reporting currency are called ***“Foreign currencies”***

***AFS currency will be used for reporting to Afghan government as per Central bank exchange rate.***

#### **7.2. ACCOUNTING POLICY**

As per accounting policy mentioned in *Chapter No.2 “Accounting policies”* exchange gains and losses on foreign currency transactions are recognized as income or expense in the period in which they arise. For detail about accounting policy please refer to chapter No.2.

#### **7.3. FOREIGN CURRENCY CONVERSION**

An important topic about foreign currencies transactions is physical conversion of currencies. Below is given procedures adopted by MSSAA for currency conversion.

Currency conversion means physically converting one currency into another. Since MSSAA operates in a multi currency environment, it often converts one currency into another. Following procedure is followed for currency conversion.

- i. If a specific currency required is not available in cash or bank account, bank is intimated to convert money from other currency account to the required currency account. However it should be ensured that bank uses exchange rates issued by State Bank (Da Afghanistan Bank).
- ii. In case bank facility is not available, the bank is not following the official rates, or bank rate is sufficiently lower than open market rate, then cash may be converted in the open market.

Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

- iii. Finance Assistant/Cashier obtains three quotations from the list of the approved money exchange dealers. Another person should also verify rates from dealers. The person verifying the rate should be from admin.
- iv. Finance Assistant/Cashier prepares comparative statement (*see appendix 17*) mentioning rates offered by different money exchange dealers, and gets it approved from Director/Provincial Office Manager.
- v. The person approving conversion selects the most favorable quotation (keeping in view quotation rate, security risk involved or any other matter).
- vi. If a quotation offering highest rate is not selected, reason is written on the face of comparative statement or justification is attached to comparative statement.
- vii. The successful money exchange dealer is asked to bring the agreed converted currency to MSSAA office if possible.
- viii. Payment is made to the money exchange dealer for the amount of the actual currency exchanged when he brings the currency required.

*7.3.1. Data flow*

The accounting treatment for currency conversion is as follows.

*Original currency*

When a currency is converted into another, “Cash Payment Voucher” is prepared in original currency i.e. the currency converted into another.

*Converted currency*

In the converted currency, “Cash Receipt voucher” is prepared.

## **8. INTERNAL CONTROLS**

Following general internal controls are in operations for general transaction.

- 1. Cash float**
- 2. Bank**

### **8.1. Cash float**

#### *8.1.1. Cash Receipts*

- When cash/cheque is received, Finance Assistant/Cashier prepares cash memo (*see appendix 18*) in duplicate and gives one copy thereof to the payer as token of receipt.
- Finance Assistant/Cashier then prepares cash receipt vouchers “CRV”.
- Cash receipt Vouchers is then checked and verified by finance officer.

#### *8.1.2. Cash Payments*

- Payments up to USD 1,000 may be made in cash. Above such limit, payment should be made through bank. However for the time being, due to lack of good banking system in Afghanistan, cash payments may be made over the stated limit. After banking system starts functioning, the above ceiling must be implemented.
- Cash payment must not be made before the payment is approved by person authorized (*see chapter No.1 “Authorizations Limits”*).
- Cash payment voucher “CPV” is prepared by Finance Assistant/Cashier.
- Acknowledgement of the payee must be obtained on the face of Cash payment voucher, or in case of a firm, acknowledgement should be received on that firm’s letterhead.
- Finance Assistant/Cashier stamps as “PAID” all the bills at the time of payment.
- CPV is then checked and verified by Finance officer.

#### *8.1.3. Other controls*

- Finance Assistant/Cashier is the person responsible for keeping cash in safe custody.
- Cash should be kept in locker and Finance Assistant/Cashier is the only person to have access to the locker.

Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

- Cash receipts and payments should be timely entered in books.
- Finance Assistant/Cashier is responsible to make daily reconciliation's of cash balance (as per books) with physical cash in hand.
- Finance Assistant/Cashier performs cash count twice a month in the presence of two witnesses. Finance Assistant/Cashier and both the witnesses shall sign Cash Count Form (*see appendix 19*). Any discrepancy shall be reported to Finance Manager/Officer.
- Cash ceiling for central office is USD 8,000 and USD 5,000 for regional offices, however in regional offices cash must be spent immediately after it is received. The cash ceiling can be increased by Finance Manager for a limited time period after Director approval.
- Program Manager, Finance Manager and Director have the authority to ask for surprise Cash count.

## 8.2. Banks

### *8.2.1. Separate bank account for each donor*

Separate bank account should be maintained for each donor.

### *8.2.2. Inter donor payable/receivable account*

Funds of one donor should only be used for that donor's activities. However, in case of temporary cash shortage, one donor's funds may be utilized temporarily for other donors. When such is the case, an inter donor payable/receivable account is created. Inter donor payable account must be reconciled each month.

### *8.2.3. Co signatories*

There should be at least two signatories for every bank account.

### *8.2.4. Bank receipts*

- Cheques received should be immediately deposited in bank if it is more than US\$ 1,000.
- Bearer cheques should be crossed before depositing into bank.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

- When cheque is received and deposited in bank or an amount is directly received in bank, Finance Assistant/Cashier prepares Bank receipt voucher “BRV”.
- Photocopy of cheque should be attached with Bank receipt voucher.
- Bank receipt voucher is checked and verified by finance officer.

*8.2.5. Bank payments*

- Bank payment must not be made before the payment is approved by person authorized (*see chapter No.1 “Authorization Limits”*).
- Bank payment voucher “BPV” is prepared by Finance Assistant/Cashier.
- Acknowledgement of the payee must be obtained on the face of Bank payment voucher, or in case of a firm, acknowledgement should be received on that firm’s letterhead.
- Photocopy of each cheque should be attached to Bank payment voucher.
- Finance Assistant/Cashier stamps as “PAID” all the bills at the time of payment.
- BPV is then checked and verified by finance officer.

*8.2.6. Deposits in and withdrawal from banks*

- When cash is deposited in bank “Cash Payment Voucher” is prepared
- When cash is withdrawn from bank, “Bank Payment Voucher” is prepared.

*8.2.7. Reconciliation’s*

- Bank reconciliation’s should be made for each bank account on monthly basis. Finance officer is responsible for preparing Bank Reconciliation.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

## **9. FIXED ASSETS AND STORE**

### **9.1. Definitions**

**Fixed Assets** are long-term (more than one year), non-expendable asset held by an organisation for

- Administrative purpose
- Rental to others
- Use in productions and supply of goods and services

### **9.2. Fixed Asset**

#### *9.2.1. Accounting policy*

All the fixed assets are charged to Income and expenditure account in the year of purchase (*see Chapter No.2 "Accounting Policies"*)

#### *9.2.2. Fixed asset register*

To achieve control over fixed assets, Fixed Assets Register is maintained (*see appendix 20*). Only those assets with a purchase value of more than USD 30 are registered in fixed asset register, while assets with a value of up to USD 30 are recorded in separate list. Office Manager is responsible for maintaining fixed asset register.

#### *9.2.3. Fixed Asset Codes*

- Codes are assigned to each individual asset at the time of receipt. Six digit Fixed asset code (000001 and onward) is assigned and mentioned in Fixed Asset Card (see below). It is also pasted on asset for easy identification and reference. Codes are assigned only to those assets, which are registered in fixed asset register. Assets recorded in list are not assigned codes.

Assets are classified under following major classes

- Building

Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

- Vehicles
- Furniture and fixture
- Computers and accessories
- Electric equipment's
- Communication equipment's
- Office Equipment
- Medical equipment's
- Heating and kitchen equipment's

#### *9.2.4. Receipt of assets*

Admin Manager/Assistant shall receive asset purchased. The requisitioning person inspects the asset received for quality, specification and condition. If it meets the required criteria, Admin Manager/Assistant prepares Fixed Asset Card (*see appendix 21*) in duplicate and assigns code to the asset. The Admin Manager/Assistant updates fixed assets register accordingly.

The Admin Manager/Assistant retains one copy of Asset Card and sends the other to finance department to be attached with Payment voucher.

Any documentation of Donor requirements or special conditions should be filed together with asset information

#### *9.2.5. Assigning and transfer of assets*

The Admin Manager/Assistant assigns assets to individual staff members. The person receiving the asset signs the standard Asset Assignment Form (*See appendix 22*). The Admin Manger/Officer files the form. The Admin Manager/Assistant updates the fixed asset register to record assignment of asset.

Any harm done to the asset should always be explained by the responsible in a report. If the harm is rising from gross neglect or misconduct on the part of the employee responsible the value should be claimed.

At the time the assignment of the asset ends, a qualified person inspects quality of the asset and the signs the original Assignment form for cancellation.

Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

An asset shall not be transferred directly from one employee to another. Transfer should be made through Admin Manager/Assistant. When an asset is transferred from one employee to another, Admin Manager/Assistant updates the Fixed Asset Register to change the name of responsible personnel.

An asset of MSSAA (not used on daily basis) must not be kept in personal custody by any employee.

#### *9.2.6. Disposal of assets*

When an asset is no longer useable for any reason, it will be disposed of (*subject to any restriction imposed by donor or some other authority*).

Any fixed asset can be disposed off with prior approval of the Director.

##### 9.2.6.1. Modes of disposal

Asset will be disposed in following modes

- Private sale
- Open/closed bidding
- Scraping
- Donation

##### Private sales

Asset with a purchase value of up to USD 500 can be sold to anyone including MSSAA employees. Items purchased in set form will be considered as one unit, while other items may be considered individually.

##### Sale by auction (open/closed bidding)

An asset with value of more than USD 500 will be sold by open or closed bidding whichever is appropriate. The auction may be publicised externally through newspaper or any other appropriate media keeping in view cost and benefit. Purchase and auction committee shall be responsible for conduct of a transparent auction. After bidding, Purchase and auction committee will prepare comparative statement (*see appendix 23*) and decide the successful bid.

### Scraping?

Director can approve scarping of an asset. All scraped items should be registered as such.

All assets above 2000 USD must be sold, even if their condition is ruined. ?

### Donation

An asset can be donated only after the Director's approval, irrespective of cost of asset.

When an asset is disposed of, Admin manager shall update Fixed Asset Card and fixed asset register accordingly.

## **9.3. Physical Verification of Fixed assets**

1. Physical verification of store and fixed asset shall be performed once a year in first two weeks of January. However, donor requirement should be kept in mind. Proper cut off procedures should be adopted to ensure that relevant assets and stock are subjected to verification.
2. At least two persons, one from finance department and one from admin department, authorised in this behalf by Director, will perform physical verification.
3. Physical verification report will be made and any discrepancy will be investigated and resolved accordingly. Final report will be forwarded to Director for approval. It will mention the results of physical verification including the discrepancies found.
4. The registers should be updated after the Director approves the report.
5. Sporadic verification shall be performed if requested by any line manager or Director. A person authorised by Director can randomly inspect the Fixed Asset Register.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

## **10. PURCHASING/PROCUREMENTS**

### **10.1. Purchasing policies**

Efforts should always be made to get the best quality for the lowest possible price. To ensure this, goods should be purchased in bulks where storage can be made available.

Some donors have specific requirements concerning purchases and these should always be checked before any larger purchase.

Furthermore, to ensure appropriate control with the quality and price of goods there is established threshold of authorization for purchasing. It should be clear from the above that it is strictly against MSSAA policy to split up purchases or bills to avoid these thresholds.

### **10.2. Procurement procedure**

The person who requests an item fills in a Requisition Form (*See appendix 24*) and which is approved by the concerned line manager. If an employee requests for something which is covered in the budget of line manager other than his Line Manager, then he will get the request form recommended from his Line manager before getting it approved from concerned line manager. Request form is prepared in duplicate (in triplicate if required).

Requisition is sent to store where it is checked for availability. In case it is not available requisition is forwarded to Procurement/Logistic officer.

If the item is to be purchased the following thresholds apply:

- If the value of purchase is larger than USD 500 at least three quotations will be obtained. Comparative statement (*see appendix 25*) will be prepared and successful quotation selected.
- Procurement officer is authorised to make purchase up to USD 500. In case of purchases of USD 501-1000, Procurement officer will be responsible for calling quotations and selecting successful quotation.

- In case of purchases of more than USD 1000, Procurement and Auction committee will call quotations and select the most favourable one. The committee shall consist of at least three members i.e. one person from concerned department, one person from finance department and one person from logistic department. In case of purchases by finance or logistic department, the procurement committee may comprise of two persons.
- If the purchase is larger than USD 2000, Director shall himself participate in the procurement committee. If Director is not available or busy, he may assign another person in writing to participate in procurement committee.

## **11. TRANSPORTS AND LOGISTICS**

### **11.1. Transport of goods**

#### *11.1.1. Use of MSSAA owned vehicles*

MSSAA owned vehicles are used in first instance, for transportation of goods from and to regional offices and sites. The concerned department fills in Vehicle authorization form (see *appendix 26*). Vehicle authorization slip is then got approved from Admin Manager. Transport officer releases vehicle to the concerned department for the purpose.

#### *11.1.2. Use of leased vehicles*

In case quantity or nature of goods to be transported is such that they cannot be carried through MSSAA owned vehicles, then leased vehicles may be used for transportation of such goods. Transport officer is responsible to arrange the vehicles in such case. Transport officer calls for at least three quotations from three different transport companies. Transport officer prepares comparative statement (see *appendix 25*). Admin manager will select suitable quotation. A contract may be entered into and signed by Transport officer/Admin manager with selected transport company before goods are handed over to them.

### **11.2. Vehicle use**

#### *11.2.1. Official use (local areas)*

Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

All MSSAA staff is allowed to use MSSAA owned vehicles for official purpose. If an employee needs vehicle for official use in local area, he fills in Vehicle authorization slip and gives it to the Transport officer after getting it approved by Admin Manager at least two hours before departure time, stating the purpose and location, and time of departure and arrival. It helps the administration department meet the needs of all the employees requesting for vehicle. If two employees have official work in same locality, it is better that both the employees use one vehicle. If more employees request for vehicle at a time and it is not possible to meet every one's request due to non availability of sufficient number of vehicles, then vehicle should be allowed to the employees on the basis of priority of the work.

*11.2.2. Official use (Outstation)*

If vehicle is needed for outstation official visit, the concerned employee fills in Vehicle authorization form and gets it approved from Admin Manager. Vehicle authorization slip should be forwarded to Transport officer at least two days before the date when vehicle is required. Intimation in advance helps to ensure the availability of the vehicle when needed. Vehicle authorization slip specifies the expected time and date of the departure and arrival of the vehicle. Admin Manager approves vehicle authorization form; however approval of request depends on security situation in the area where visit is planned. Vehicle shall be allowed only when there is not any security risk; otherwise the staff should use rented vehicles for official trip. Admin Manager checks beforehand security situation, through ANSO office, of the area where it is planned to send vehicles.

*11.2.3. Private use (general staff)*

Use of MSSAA vehicles for personal reasons is not allowed in normal circumstances. However in case of any emergency or genuine/credible reasons, Director may allow a staff member to use the vehicle for personal reason. An employee allowed to use vehicle for private use shall be charged as follows.

- Per diem of driver
- Fuel charges @ one liter per 7 km
- Service charges @ Afs 2 per km





Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

### 11.3. Other controls over vehicle use

Following internal controls are in place in order to ensure safe custody and proper use of vehicles.

#### 11.3.1. *Persons authorized to drive MSSAA vehicles*

Drivers and Transport officer are the only personnel authorized to drive the MSSAA vehicles in normal circumstances. In exceptional circumstances Director may authorize any other person to drive the vehicle.

#### 11.3.2. *Vehicle Log Books*

The vehicle logbook (*see appendix 27*) is maintained for each vehicle in order to avoid any possible misuse of vehicles. Vehicle logbook is used to record information about use of vehicles. Mileage is checked before every trip and recorded in vehicle logbook, after arrival from trip mileage is again checked and recorded in vehicle logbook in order to know total distance traveled in each trip. Purpose, date and time of trip are mentioned in vehicle logbook and the person using the vehicle signs it.

The transport officer is responsible to ensure that vehicle logbooks are maintained properly. At the end of month, Transport officer prepares a vehicle logbook summary, which shows distance vehicles have been used for in different projects.

#### 11.3.3. *Fuel of vehicles*

Every MSSAA driver has Afs. 10000 advance for the fuel of the vehicles. The driver is responsible to keep the vehicle fuel tank always full specially in the weekend. Driver signs all the fuel bills and clears his advance with transport officer once a week unless advance is spent earlier. The transport officer registers the bills in the fuel consumption form (*see appendix 28*) kept by the transport officer. Transport officer checks fuel consumption at the end of every month with distance covered. Standard for fuel consumption is set at 7 km per liter. If actual consumption deviates substantially from the standard, investigation is carried in order to find out reason for such deviation. Necessary action is taken accordingly to control fuel consumption.

Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

Vehicle logbook summary and fuel consumption form are used to calculate amount of fuel expense to be charged to different projects. Copies of both these documents are sent to finance department where fuel expense is charged to different projects according to mileage used for each projects.

*11.3.4. Periodical maintenance*

Routine maintenance is done of each vehicle after each 2,000 km running. Routine maintenance includes changing engine oil and oil filter, body wash, and cleaning the air filter. Diesel filter are changed after 4,000 km running. Transport officer is responsible of maintenance and mileage record for each vehicle. Transport officer maintains Vehicle service form (*see appendix 29*), which is checked by Admin Manager on monthly basis.

*11.3.5. Routine checking*

It is driver's responsibility to do routine checking of vehicles every morning including checking of oil, water, brakes oil etc.

*11.3.6. Other maintenance*

The driver and the transport officer are responsible for the maintenance of the vehicles. It is driver's responsibility to check daily the vehicles in the morning and report to the transport officer if it requires any repair and maintenance. The transport officer is obliged to prepare the vehicle authorization form (*see appendix 26*) and get it approved from the admin manager before sending the vehicles to the workshop. Both the driver and transport officer should be present in the workshop at the time of changing parts of the vehicles. The transport officer fills in the expenditure summary form (*see appendix 14*) and gets it approved from Admin manager.

*11.3.7. Charging of vehicle fuel and repair expense to different projects*

Vehicle fuel and repair charges are charged to MSSAA admin in the whole month. At the end of month when finance department receives vehicle logbook summary, different projects are charged as for fuel and repair charges and credit is given to MSSAA admin as follows.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

11.3.7.1. Fuel expense

Standard fuel consumption is calculated by dividing total distance covered in each project on standard rate (7 km per liter or according to the norm of fuel expenses for deferent type of vehicle), standard fuel consumption is multiplied by average price of fuel prevailed in the month to calculate expense to be charged to the project.

11.3.7.2. Service charges

Projects are charged @ Afs. 2 per kilometer used in respective projects.

11.3.8. *Vehicle authorization form*

All staff requesting MSSAA Vehicles is obliged to receive Vehicle authorization form from the transport officer. In case Transport officer is not available they can refer to the admin manager. Watch man will not allow any vehicle to go out of the MSSAA compound without vehicle authorization slip.

Vehicle authorization form will also be used if the vehicle is to driven to workshop for routine or other repair.

11.3.9. *Use of rental vehicle project base*

For most of the project specially in remote area rental vehicle will be used. for rental vehicle all information for use of vehicle will be shown in bid invitation and contract, there will not be need for logbook, fuel consumption calculation and authorization form for use of vehicle. these vehicles will be used directly by project staff according to the agreed condition shown in the service contract for rental vehicle.

## **12. COMPUTERS AND COMMUNICATION**

### **12.1. Computers**

Following are the procedures which should be adopted to ensure the computer security.

#### *12.1.1. Security & virus protection*

Domain based windows 2000 server provides maximum security to all users. So this should be installed on main server of the MSSAA Local Area Network. Through resource sharing, the users are able to share information with each other within their security set up. One hard drive should always be dedicated for data storage. Directories should be created for individual and group users in public and private folder, where users can save their information for sharing and data backup. User's personal directories should be completely protected from unauthorized access.

The entire network computers should be completely protected from virus threat. The users should take following necessary steps to protect their computer from virus infection.

- They should ensure that anti-virus program is running on their individual computers and anti-virus icon is active on task bar.
- Weekly anti-virus update definition file should be installed on the system.
- They should not open emails or attachment from unknown source.
- They should scan all files for viruses at least once a week.
- Disks scanning and defragmentation should be run on all computers at least once in a month to make sure drives are in good condition.
- The user must switch off all the equipment, when they finish their routine work at the end of day. They should also ensure that computers are properly shut down. Especially laptop computer, which needs to be properly shut down before it is moved from one location rather than transferring into hibernated mode. If laptop computer is moved while it is in hibernated mode it may damage hard drive and result in data loss.
- No external device will be attached to any computer while it is turned on.
- This is user responsibility to keep secret their ID and password from everybody.
- Playing and installations of Computers Games are not allowed.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

- Personal prints are not allowed on MSSAA Computers.

### 12.1.2. *Data backup*

One drive on server should be dedicated only to back up all the MSSAA data. Users should be able to save a copy of their data on server backup drive, where it could be backed up on monthly bases.

It is user responsibility to transfer their data to the backup drive on weekly bases. In case data is not transferred in time, concerned user will be held responsible for any loss of data from his/her local drive. IT department must backup all the data stored on back up drive on monthly basis. Data is usually backed up on Compact Disk.

### 12.1.3. *Confidentiality and rights on MSSAA data*

The data stored on every computer belongs to MSSAA. **No one is allowed** to share MSSAA data with outsiders or to leak out any internal information/data. It is concerned person's duty to store the data on protected location.

In case data is required to be shared with partner organizations in connection with any joint venture or some official purpose, proper authorization will be taken before hand from line manager for transferring data to external organization.

**No one is allowed** to take data from MSSAA, when he/she finishes job contract with organization.

## 12.2. **Internet usage**

Internet is accessible on entire MSSAA Computers. Users are able to surf on the Internet and send and receive their emails. MSSAA has the following guideline for the Internet usage.

- Surfing for fun is not allowed during office hours
- No one is allowed to download movies, music and pictures from the Internet.
- Watching pornographic sites or movies are strictly prohibited on MSSAA Computers.



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

- The messengers can extremely slow down the network speed, all the messenger software except yahoo, are not allowed to be installed and used on the MSSAA computers.
- Listening music directly from the Internet is not allowed. It could slow down the network speed.
- The users will not register their official email address on any server in world for personal reason. (Forms or software downloading)
- Official emails are allocated to user for NAC day to day business. None of official email addresses will be forwarded to any outsider for any reason.

### **13. FILING**

#### **Major Type of Files**

In central office as well regional office, there are separate files are being maintained for all MSSAA project, vehicles, equipment's, contract and personnel.

Regional offices should also send to the central office a copy of every important document, such as contracts, vehicles purchase/registration documents and the personal documents of staff. Following are the major types of files maintained in MSSAA for different purposes.

- 13.1 *Personal files*
- 13.2 *Vehicle files*
- 13.3 *Equipment files*

These are discussed separately below.

#### **13.1. Personal Files**

Personal files are maintained updated in the central office for the entire local and expatriate staff. Personal files includes following information and documents.

- Employee's CV
- Application Letter
- Completed Test Papers if written test has been taken
- Reference Check Guide (at least two references must be checked)
- Offer Letter
- Employment Contract

- Employee's Tazkira
- New Hiring Form? (signed)
- Job Description
- Leave Forms
- Evaluation Forms
- Insurance Policy?
- Recommendation Letters
- Formal Complaint Letters
- Warning Letter
- Resignation or Dismissal Letters
- Clearance Form
- Home Map

Admin assistant is the person responsible for keeping personal office in safe custody. All the personal files should be kept locked and only the Admin Manager, Director and Admin Assistant should have access to these files.

The personal file should be kept secret. Nobody other than the above-mentioned staff is allowed to open and read the personal files of other staff members.

The personal files should be updated on regular basis and at least once a year. The person responsible for updating of personal files is Admin Assistant; however it is the responsibility of Admin manager to make sure that these files are updated in time.

### **13.2. Vehicles files**

Separate file is maintained for each vehicle. Vehicle files include following information.

- Vehicle purchase document (original)
- Registration documents
- Copy of asset card which kind of card is that?
- Any other important document, if any

Original document of all the vehicles (whether use in central office or regional office) shall be kept in central office. Copies of these documents shall be kept in vehicles. The Transport officer is responsible for keeping necessary documents in vehicles.

Vehicles files should be kept locked and in safe custody. Director, Admin Manager and Admin Assistant should have access to these files. Admin Assistant is responsible



Maiwand Social Service Association  
ADMIN & FINANCE MANUAL

for maintaining and updating of vehicle files. However Admin manager has the responsibility to ensure that these files are updated and kept in safe custody.

### 13.3. Equipment files

Separate files are maintained for all the equipment's that meet the criteria for recognition as fixed asset. Equipment files include following information.

- Purchase document (original)
- Copy of asset card?
- Any other important document, if any

Admin Assistant is responsible for maintaining and updating of equipment files. However, Admin manager has the responsibility to ensure that these files are timely updated.